National Pursuit of "Better, Faster, Leaner" Care

- Problems
- Solutions
- Leadership in Nevada

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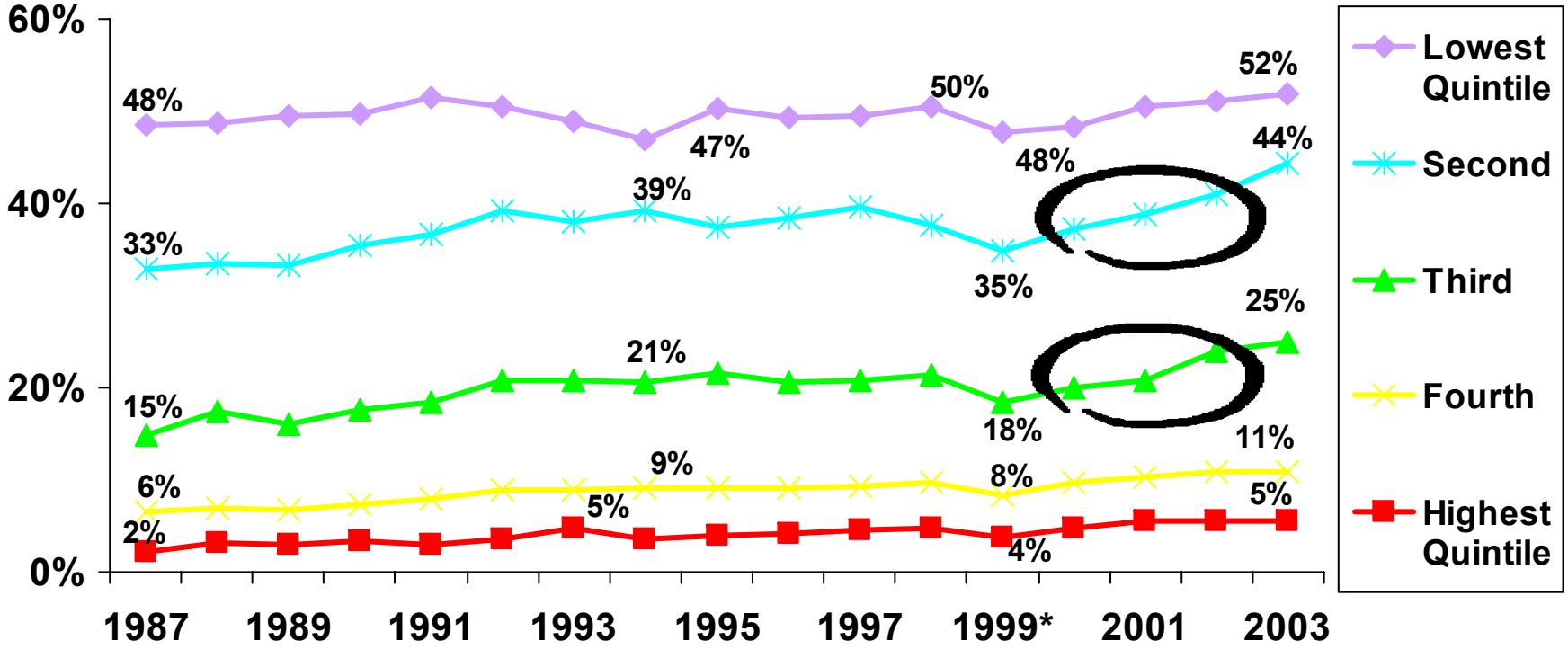
Problem #1: Rapidly Spreading Unaffordability

Percent of working adults *uninsured*, by household income quintile 1987-2003



* In 1999, CPS added a follow-up verification question for health coverage.
Source: Analysis of the March 1988–2004 Current Population Surveys by Danielle Ferry, Columbia University, for The Commonwealth Fund.

Adapted from "A Need to Transform the U.S. Health Care System: Improving Access, Quality, and Efficiency," compiled by A. Gauthler and M. Serber, The Commonwealth Fund, October 2005.

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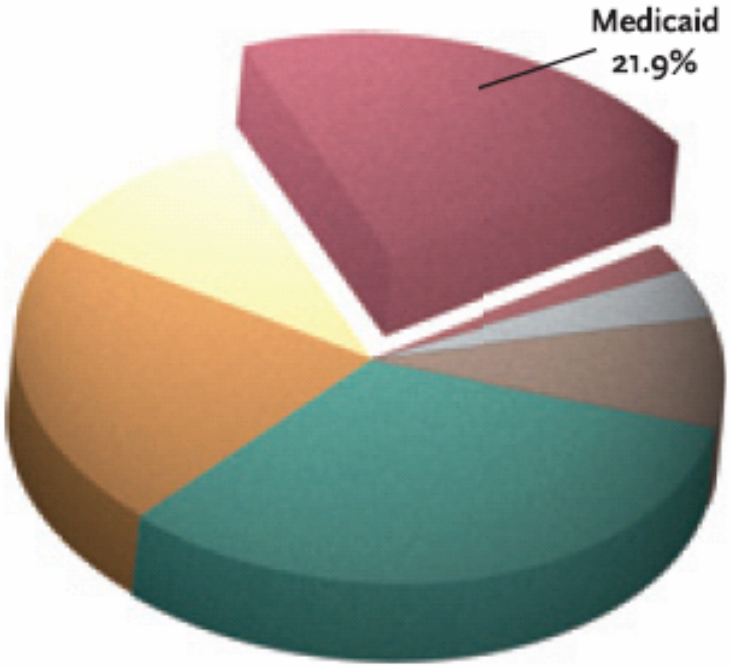
The Human Face of Unaffordability: He Works 90/hrs a Week & Earns $68K (2006 as an American Watershed)

Arnold and Sharon Dorsett with their children, Dakota, Zachery and Jessica, back. Thinly insured, they had to file for bankruptcy because of Zachery's health care costs.

© NY Times, Page 1, October 23, 2005 enefits

Collateral Damage from Unaffordability: Medicaid Spending Eclipses K-12 Spending

Total State Expenditures, Estimated FY 2004



- Elementary & Secondary Education (21.5%)
- Higher Education (10.5%)
- Medicaid (21.9%)
- All Other (32.6%)
  - Public Health
  - Parks and Recreation
  - State Police
  - Employer Contributions to Pensions and Benefits
  - Information Technology
  - Care for Mentally Ill and Disabled
  - Environmental
  - Housing
  - General Aid to Local Government
- Public Assistance (2.1%)
- Corrections (3.4%)
- Transportation (7.9%)

Source: Fiscal Survey of States, National Association of State Budget Officers, July 2005

Adapted from “State of States,” AcademyHealth, January 2006.

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Is Unaffordability Due to Waste? Inventory of Current Health Care "Muda" (~50% of Total U.S. Health Care Spending)

A. Excess Service Volume ~ 40% of current spend

B. Excess Unit Price ~ 20% of current spend

Sources: Dartmouth, Regence BlueShield and the National Academy of Sciences

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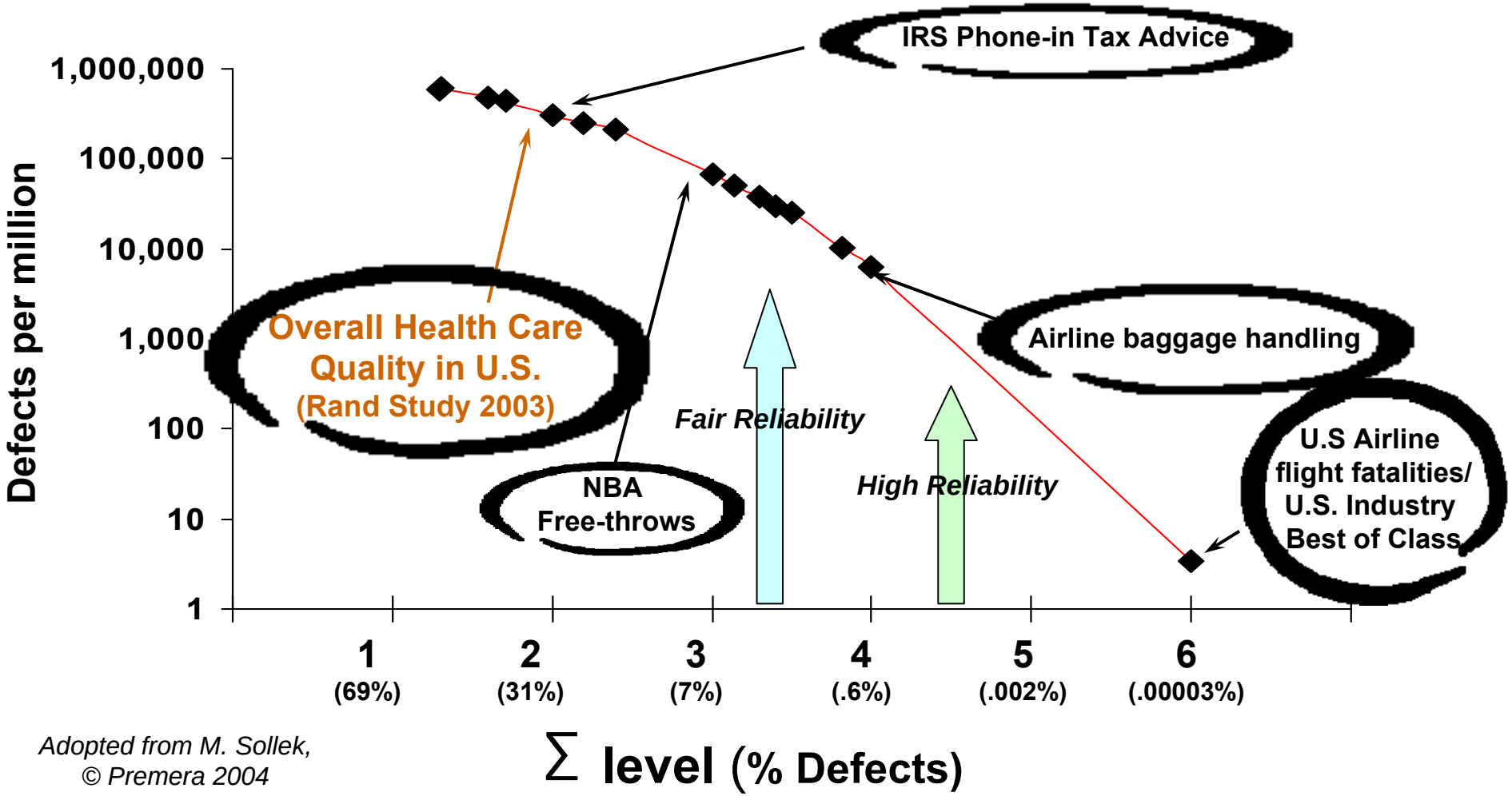
Problem #2: Untrustworthy Quality of Care

Sources: modified from C. Buck, GE; Dr. Sam Nussbaum, Wellpoint



Adopted from M. Sollek, © Premera 2004

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The Human Face of Untrustworthy Quality: (Bring Your Own Bodyguard)

Marie Dotseth, *Minnesota's Senior Policy Adviser for Patient Safety*, was to have a brain tumor removed.

As the surgeon entered the operating room, he announced he was going to remove part of her left temporal lobe, Dotseth recalled.

"I cried out, 'No, no, no, it's my right!'" she said.

"He takes the film and turns it over. Everyone just about passed out."

(If she'd been anesthetized a few minutes earlier…)

Source: "Plan Would Compile, Analyze Medical Errors," G. Gaul, Washington Post, July 29, 2005

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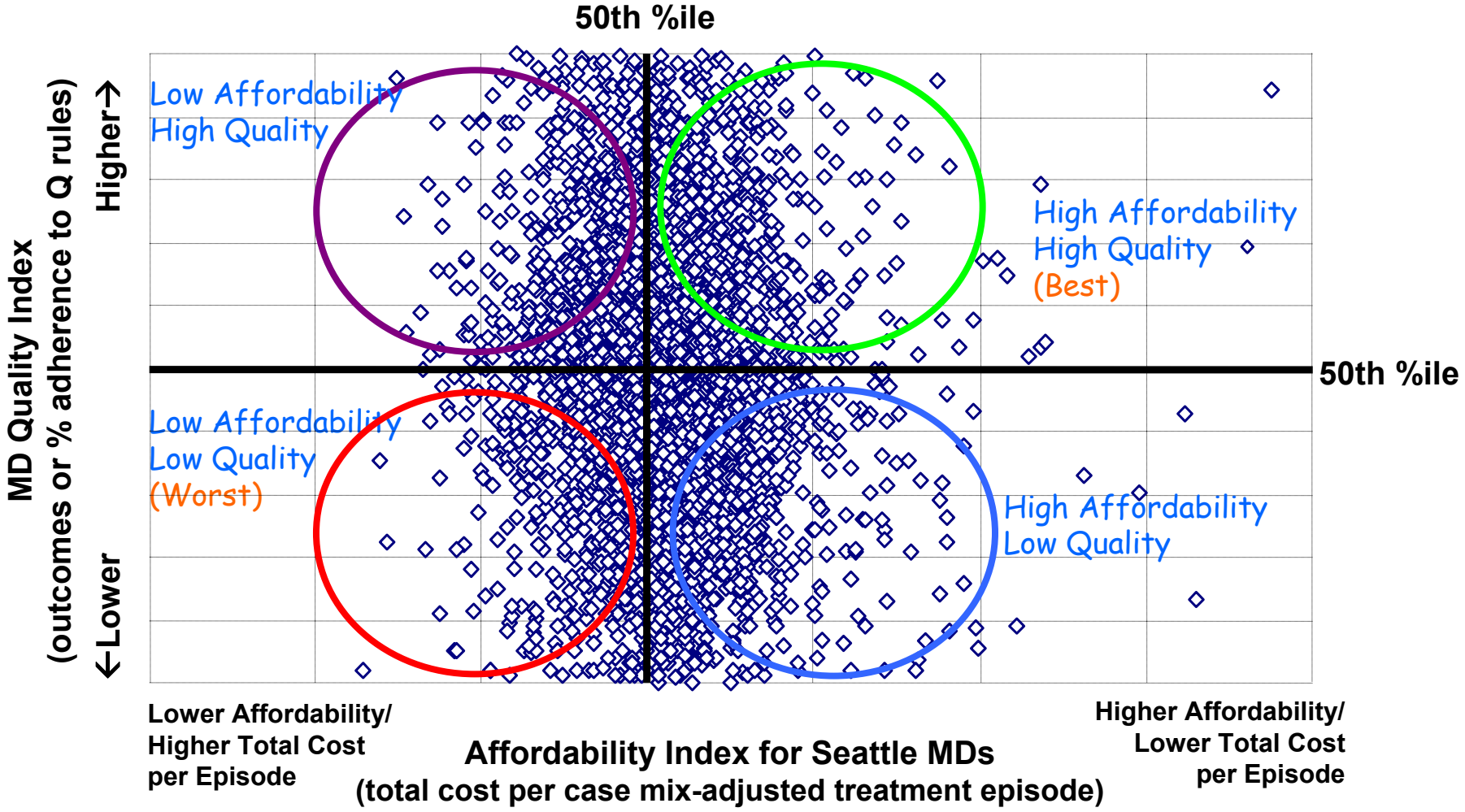
Physician & Hospital Performance is All Over the Map (And Unknown to Providers Themselves): UCLA "Burns" 30% More Insurer Dollars... and Gets *Lower* Quality Scores Than UCSF



Adapted from Regence Blue Shield

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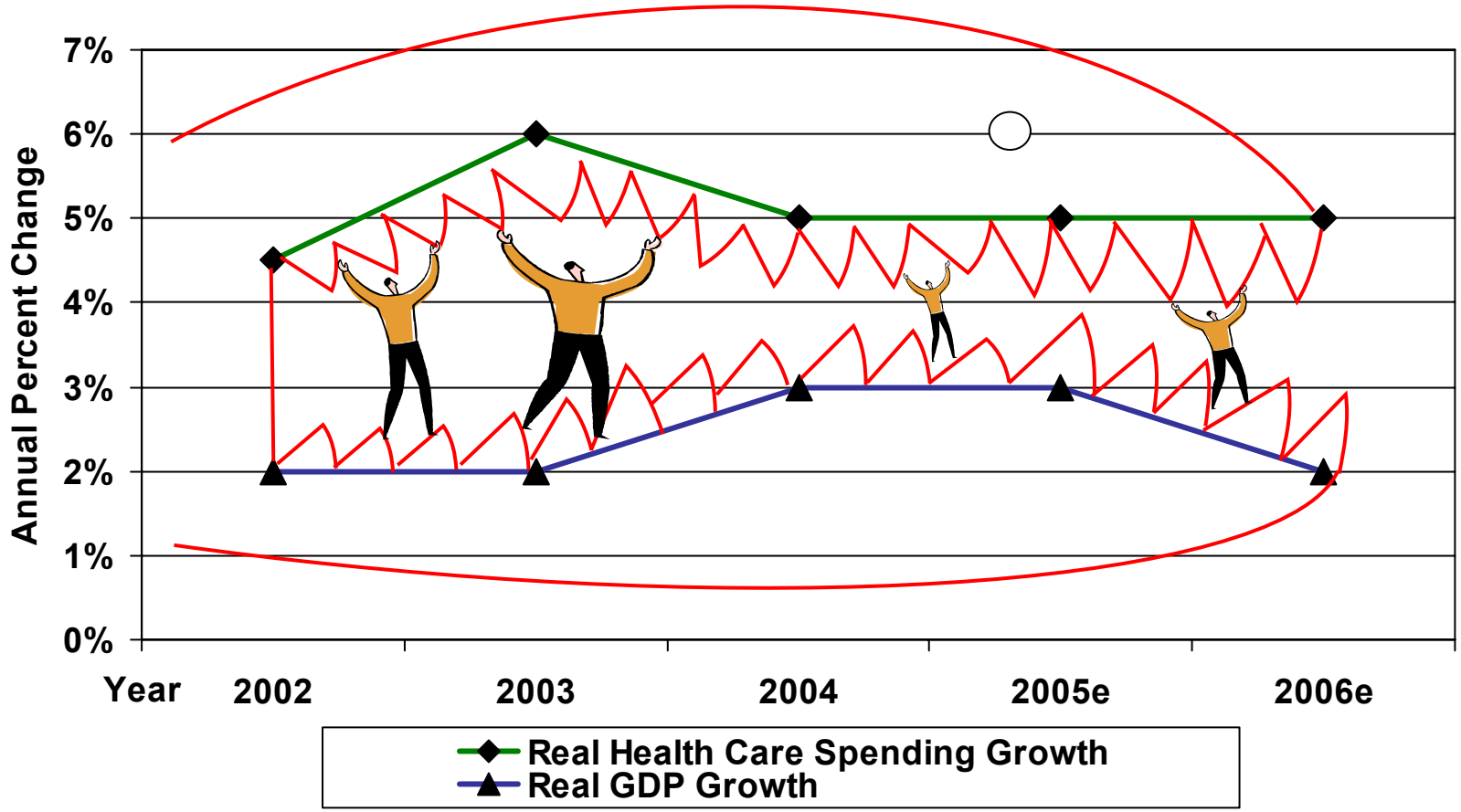
Driver of Affordability & Quality Reliability Problems: A Persistent Medical Miracle-Powered Shark that Brings More Expense, Danger & Health *Annually* (N.B. Shark-killing is Prohibited)

Annual Percent Changes per Capita in Health Care Expenditures and in GDP



Data from Borger et al, *Health Affairs Web Exclusive*, "Health Spending Projections Through 2015: Changes on the Horizon," 2/2006. Dental work by Dr. Milstein.

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How to Outswim the Shark: Use Reengineering Tools To More Rapidly Improve Health Care Delivery

"Unfortunately, the health care system has been very slow to embrace engineering tools and clinical information technologies that could transform it from an underperforming conglomerate of independent entities into a high performance system." (emphasis added)

-Co-chair, National Academy of Science's Committee on Engineering and the Delivery of Health Care

"Medicine is not behind by a decade – it is a century behind in applying technology effectively." (emphasis added)

-Robert Pearl, MD & CEO
Kaiser Permanente Medical Group

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1995 Reengineering of Sacramento Ophthalmology Office Visits (~2004 Defibrillation by Casino Guards)

- **Before** **"we're doing everything we can think of… we need more money!"**

Traditional model
1 assistant/MD
Staff poorly trained
2 rooms/MD

22 patients/day/MD
3 month wait for consult
Patient Satisfaction = 63%
Provider Satisfaction = 90%
$60 per visit
$22.31 per beneficiary/year

- **After** **"we're doing what we didn't know about before… we need less money!"**

Engineered model
3 assistants/MD
Staff highly trained
4 rooms/MD

50 patients/day/MD
No wait for consult
Patient Satisfaction = 85%
Provider Satisfaction = 94%
$43 per visit
$14.91 per beneficiary/year

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2005 Reengineering of Multi-Week or Multi-Month Complete Care Episodes: It Enables a New Annual Message to Purchasers & Consumers

Up to 50% of national corporate health care dollars are wasted on unnecessary variation in diagnosis and treatment, poor quality, inefficiency and failure to apply known “Best Practice.”

The current state is unaffordable, unsustainable and is of great concern.

Over the last year you have joined us in applying the innovative principles of the Toyota Way, Evidence Based Medicine, cost accounting and Change Management to improve value and reduce cost of care.

You pay our salaries and we are accountable to you for the care of your employees. This is the report of our progress over the last year.

– Gary Kaplan, MD, CEO
Virginia Mason Medical Center

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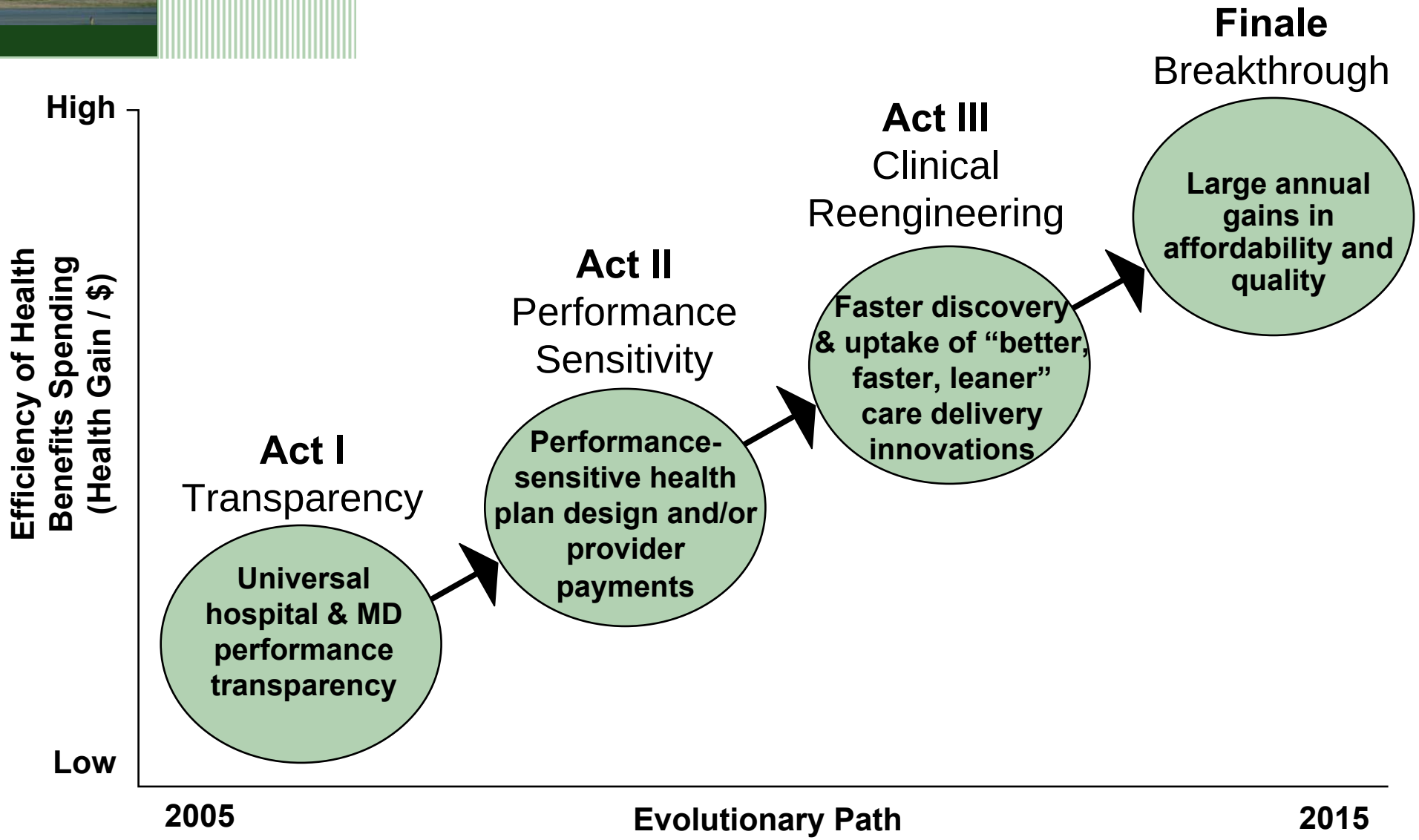
"A Few Simple Rules" to Speed Uptake of Clinical Engineering



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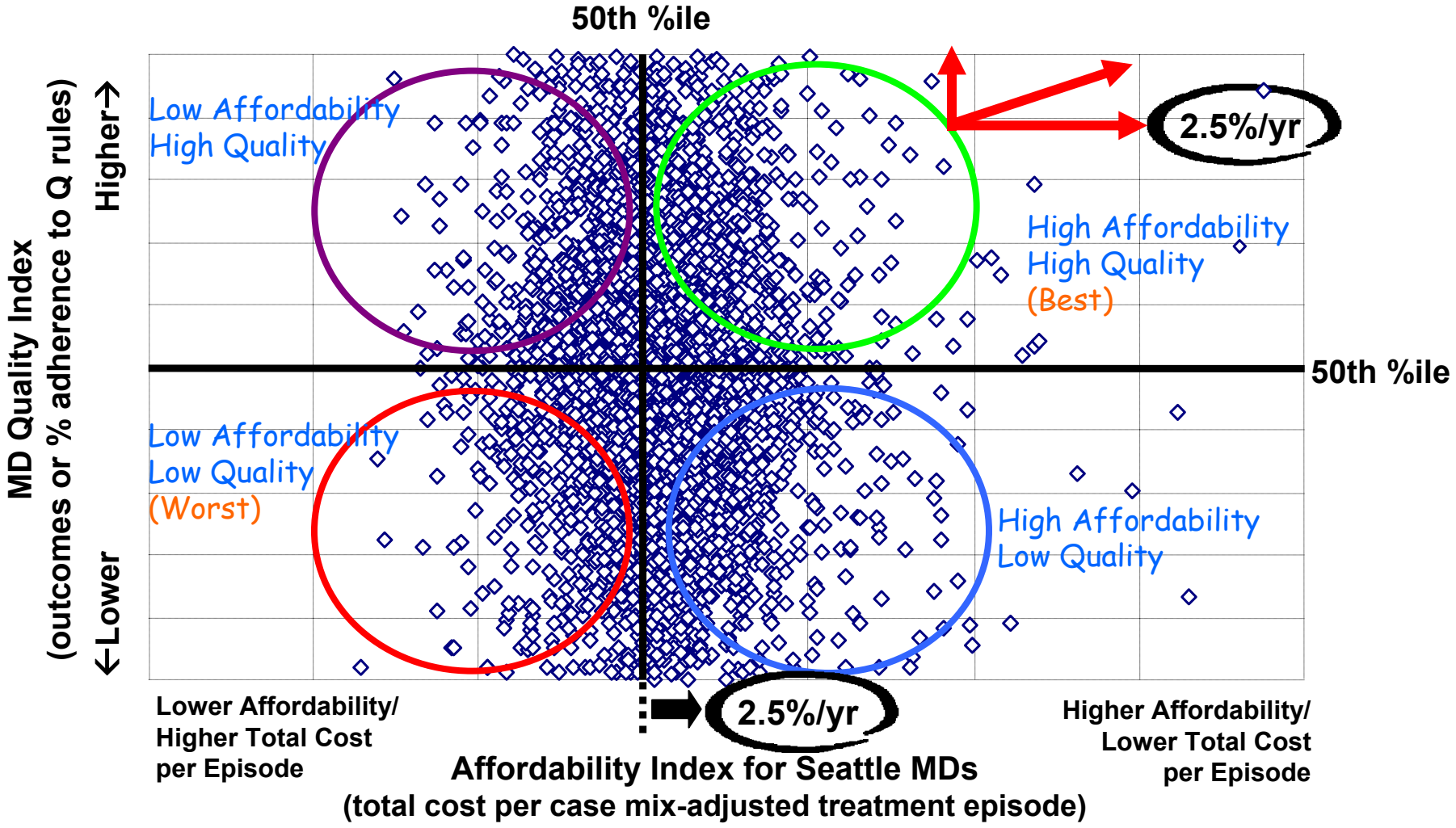
Visualizing an Annual >> 2.5% Gain in Affordability, While Improving Quality Reliability



Adapted from Regence Blue Shield

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State Leadership Options: Prioritize Excellence in Affordability & Quality by Nevada Physicians and Hospitals

- ↑ **Transparency:** Use patient-anonymized multi-payer Nevada health care claims data to publicly report affordability and quality scores for individual MDs, MD groups and hospital departments
- ↑ **Translational Efficiency:** Commit to Nevada reaching national benchmark performance on affordability and quality measures via consistent "best practices" adoption within five years
- ↑ **Knowledge Turns:** Foster breakthrough
  - Incentives for MD uptake of interoperating electronic health records with robust decision support capability
  - Statewide hub for real-time clinical data exchange (RHIO)
  - Supportive state telemedicine and physician delegation rules
  - World-class degree granting program in clinical reengineering

Richmond Liberty Shipyards, 1942

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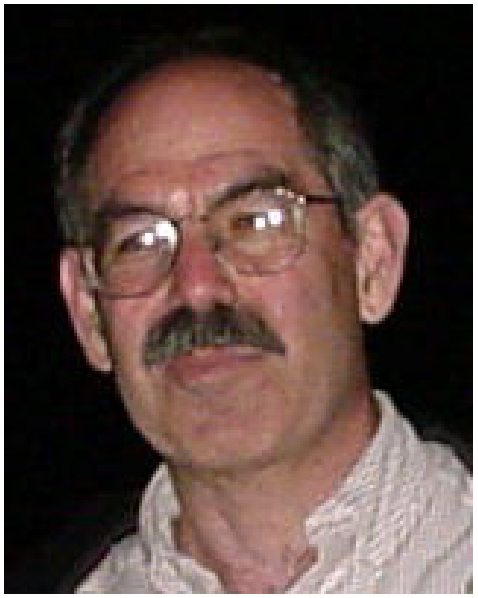
What Stands in the Way?

Bilateral Complacency



Neil Weinstein:

"Optimistic Bias"

Customer Weakness

Uwe Reinhardt:

"Newman's Law"

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Will Nevada's Future Be Health Cost "Hot Potato" Or >> 2.5% Annual Performance Lift?

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